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PERU

The violence that rocked Lima yesterday has diminished, but sporadic shooting continues despite a curfew. The city remains tense and more turmoil is possible. Even without more, President Velasco's position as head of the military government could ultimately be weakened.

The violence began when the army used tanks and bazookas to dislodge striking civil guards, or police, from their headquarters in downtown Lima. Students, including a number of anti-government leftists, soon assembled. Their subsequent acts were anti-military in character. Agitators also stoned the US embassy, but army troops prevented more serious damage. Several buildings and cars were burned, and a number of people were killed or injured.

Both the civil guard and the students have longstanding grievances against the military. The guard resents being treated as a second-class organization by the army, and many students dislike the military's authoritarian rule. These sentiments will be reinforced by the harsh measures used to break the police strike, which began on Monday over essentially bread-and-butter issues.

The government probably felt a need to quell the police strike quickly to prevent a breakdown of order and to remove a catalyst for action by other dissident groups. President Velasco has increasingly tended to react vehemently to dissent of any kind.

For the time being, the military probably will remain united behind Velasco. If further violence erupts, the armed forces will take the steps necessary to remain in power. Military leaders who already oppose Velasco's policies, however, will become even more critical. The violence may ultimately weaken Velasco's power within the military. Bloodshed has not been a part of Peru's political tradition, and many in the military probably will resent having been ordered to fire.

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MALAGASY REPUBLIC

General Ramanantsoa, head of the government for the past three years, stepped down yesterday and presumably will retire. He gave "full executive powers" to Lieutenant Colonel Richard Ratsimandrava, interior minister and head of the gendarmerie.

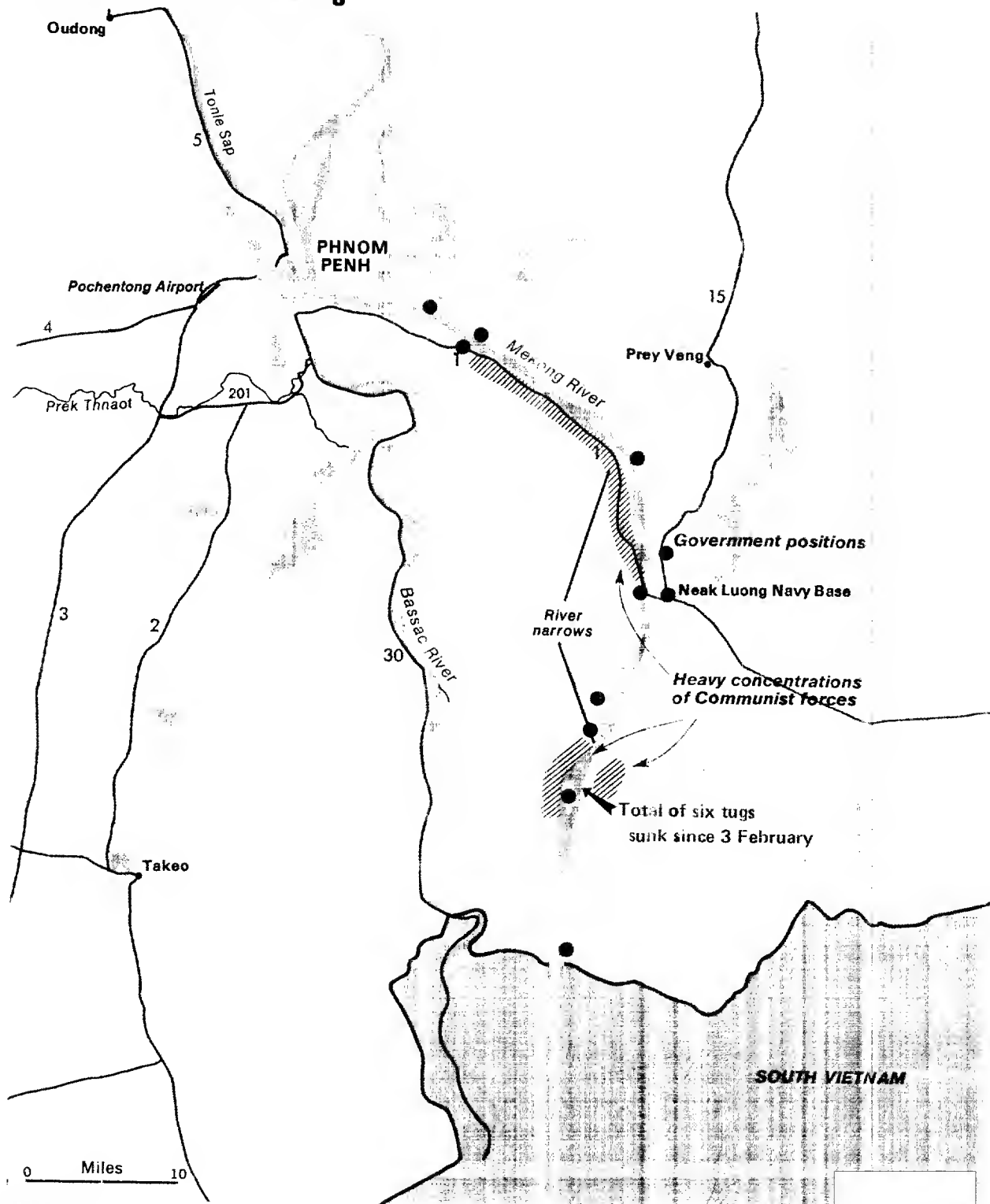
The new government will probably maintain good relations with the US. Ratsimandrava has said publicly that he will continue Ramanantsoa's nonaligned policies. Moreover, the new minister of posts and telecommunication, who presumably will have primary responsibility for negotiations on the status of the NASA satellite tracking station near Tananarive, is favorably known to the US embassy.

Ramanantsoa, who had a full plate of problems, dissolved his cabinet in late January to diminish mounting political tensions. Early that month, officers from disaffected coastal tribes unsuccessfully attempted a coup. In addition to this resurgence of differences between coastal tribes and Merina tribes of central Madagascar, the economic situation was getting worse and personal rivalries within the government were growing more acute.

Ratsimandrava, although a Merina, has good relations with the coastal tribes that dominated the government until Ramanantsoa came to power. These tribes have been given expanded representation in the new cabinet.

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Cambodia: Lower Mekong



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CAMBODIA

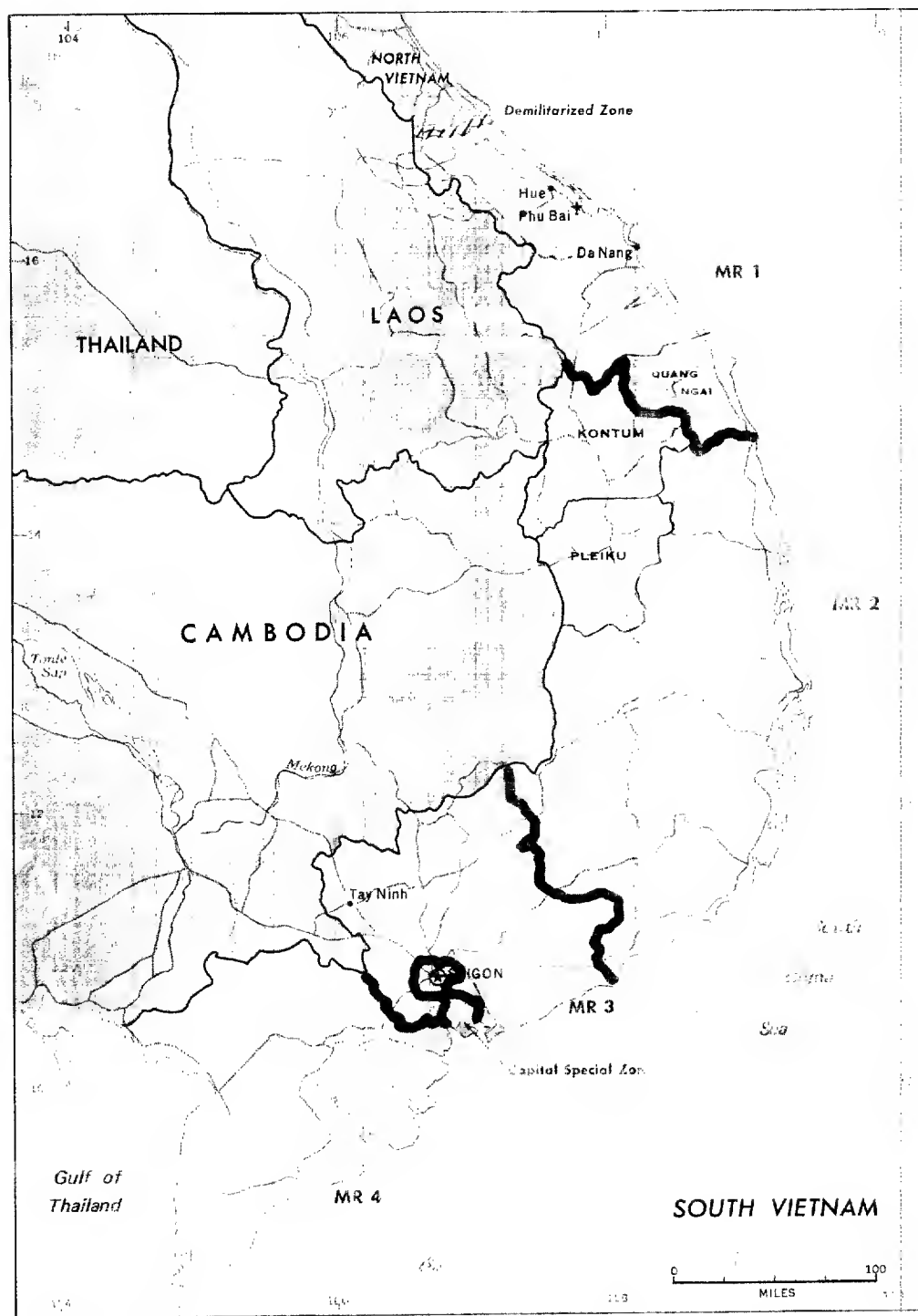
The Mekong River situation took a serious turn for the worse yesterday. A resupply convoy of two ammunition barges pulled by four tugs and protected by shield barges ran into enemy mines south of Neak Luong near the southern narrows. Two tugs were reportedly sunk, and another was beached. The remainder of the convoy evidently turned around and headed south to regroup. The Cambodian navy's protective plan including mine-sweeping, a forward observer element, and smoke screens was not effective. Unless some way is found to counter the mines or the laying of mines, the government's effort to keep the Mekong open will probably fail.

Shield barges have been extremely effective and an all-barge convoy concept is being considered. Attempts to improve artillery and air support are under way and daytime convoys will be emphasized. The use of mines adds a new dimension to convoy security and will force Cambodian forces to implement more extensive mine-sweeping measures. Limited assets and counter-mine experience further complicate the situation.

Meanwhile, Mekong-related personnel and logistic problems are mounting. Rice and POL scheduled to be included in this latest convoy had to be left behind because civilian crews refused to sail, and the sinking of more tugs could have a devastating effect on crew morale. Of equal importance is the impact losses will have on the future availability of craft, with a total of 21 ships, tugs, and barges already lost this year. Lloyds of London is now attempting to cancel all war-risk insurance for up-river transit to Phnom Penh and, even if replacement ships can be found, civilian shipping contractors will probably have to be provided substantial new incentives to continue risking their shipping assets on the Mekong.

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VIETNAM

Most of the combat activity during the past week has been in response to ongoing South Vietnamese operations. The Communist forces have been avoiding contact in most areas, but they are reportedly preparing for the next phase of the dry-season campaign.

In the northern provinces, South Vietnamese forces are consolidating their hold on the strategic high ground they took last month that overlooks the vital route between Da Nang and Hue as well as the airport at Phu Bai. The airfield--closed since the Communists took the mountain complex late last September--is to be reopened to normal traffic as soon as new shields and revetments can be constructed.

Government operations in Quang Ngai Province are meeting heavy enemy resistance. The Communists, probably alarmed at government successes earlier in these operations, have reportedly begun to commit additional forces to the fighting. These forces were believed to have been moved south but have now been recalled to counter the clearing operations in terrain the Communists consider necessary for attacks into the lowlands.

Communist forces in MR-2 generally remained inactive during the week but are reportedly making some unit moves that portend new fighting soon. Some elements are believed to be preparing for attacks on Route 19 between the lowlands and the highland provinces of Pleiku and Kontum.

South Vietnamese commanders in the highlands believe they can counter the Communist forces as long as no further reinforcements arrive.

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Government commanders are particularly sensitive to the possibility of sapper-terrorist attacks against positions in Saigon. Such attacks would probably be

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coordinated with other Communist operations in the region, although it is still unclear against which of several possible targets such attacks will be launched. While activity has remained at a low level, the Communists are reportedly preparing for new attacks in the Tay Ninh city area, and additional forces are allegedly shifting westward to increase the threat there.

MR-3 Commander Du Quoc Dong was replaced yesterday by former MR-2 Commander Nguyen Van Toan. Dong's removal is a result of his poor performance during the recent increased fighting in MR-3. The selection of Toan reflects Thieu's greater concern at present with the military rather than political situation. Toan was a specific target of the People's Anti-Corruption Movement and was removed from command of MR-2 last October to help defuse the issue of corruption. He has, however, an excellent military reputation, and the situation in MR-3 should improve under his command.

The Communists have been relatively quiet in the delta. The threat to the area remains high, however

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NIGERIA

Nigeria will soon begin development of its extensive natural gas resources.

On February 1, Nigerian Commissioner for Mines and Power Monguno announced approval for construction of two liquefied natural gas/liquefied petroleum gas plants with a daily capacity of one billion cubic feet each.

According to Monguno, Lagos will hold 60-percent participation in each plant as well as 50 percent in a proposed liquefied natural gas tanker fleet. The government will establish and operate a fully owned gas gathering company to serve both plants.

Total costs of the gas development program, including tankers, will probably approach \$2 billion with construction beginning in 1976. As the majority shareholder, Lagos expects to play a direct role in choosing the liquefaction processes, subcontractors, and tanker procurement. US firms are in the running for all of these. The Nigerians reportedly would prefer the US as a market, if Washington were to encourage liquefied natural gas imports. Western Europe is an alternate choice.

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